Consolidated Condensed Interim Financial Statements
(**Unaudited**)

AirIQ Inc.

For the Three and Nine Months ended December 31, 2021

Notice to Reader:
The following consolidated condensed interim financial statements have been prepared by Management of AirIQ Inc. and have not been reviewed by the Company's external auditors.

AirIQ Inc.

CONSOLIDATED CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION (UNAUDITED)

(in thousands of Canadian dollars)

	December 31, 2021	March 31, 2021
	$	$
ASSETS		
Current assets		
Cash and cash equivalents (note 14)	**2,146**	1,829
Prepaid expenses and deposits	**76**	77
Trade and other receivables (notes 12 and 14)	**236**	499
Inventory (note 5)	**616**	355
Total current assets	**3,074**	2,760
Non-current assets		
Software (note 6)	**720**	683
Rental units (note 6)	**683**	363
Property and equipment (note 6)	**23**	32
Right-of-use asset (note 13)	**52**	70
Total non-current assets	**1,478**	1,148
Total assets	**4,552**	3,908
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (notes 12, 13 and 14)	**666**	610
Deferred revenues (notes 3 and 7)	**574**	431
Lease obligations (note 13)	**25**	23
Total current liabilities	**1,265**	1,064
Non-current liabilities		
Deferred revenues (notes 3 and 7)	**93**	30
Lease obligations (note 13)	**35**	54
Government loan (note 8)	**40**	40
Total non-current liabilities	**168**	124
Total liabilities	**1,433**	1,188
Shareholders' equity		
Share capital (note 9(a))	**91,383**	91,461
Other paid-in capital (note 9(b))	**4,448**	4,448
Contributed surplus (note 9(c))	**2,790**	2,805
Deficit	**(95,502)**	(95,994)
Total shareholders' equity	**3,119**	2,720
Total liabilities and shareholders' equity	**4,552**	3,908

Commitments and contingencies (notes 8 and 13)

Authorized for issue on behalf of the Board:

"Vernon Lobo" Director

"Geoffrey Rotstein" Director

See accompanying notes

AirIQ Inc.

CONSOLIDATED CONDENSED INTERIM STATEMENTS OF INCOME AND COMPREHENSIVE INCOME (UNAUDITED)

(in thousands of Canadian dollars except per share amounts)

	Three Months Ended December 31st		Nine Months Ended December 31st	
	2021	**2020**	**2021**	**2020**
	$	**$**	**$**	**$**
Revenues				
Recurring revenue	**903**	823	**2,564**	2,387
Hardware and other revenue	**113**	77	**713**	372
Total revenues	**1,016**	900	**3,277**	2,759
Direct cost of sales (notes 5 and 6)	**356**	265	**1,269**	892
Gross profit	**660**	635	**2,008**	1,867
Expenses				
Sales and marketing	**230**	200	**586**	477
Research and development	**34**	34	**91**	76
General and administration	**204**	202	**598**	567
Total expenses (note 11 and 18)	**468**	436	**1,275**	1,120
Income before other expenses	**192**	199	**733**	747
Other expenses				
Interest expense (note 13(b))	**1**	1	**3**	4
Interest income	**—**	(1)	**(1)**	(6)
Depreciation and amortization (notes 6 and 13(a))	**78**	79	**228**	235
Foreign exchange loss (gain)	**26**	47	**8**	88
Stock-based compensation (note 10(a))	**1**	2	**3**	7
Total other expenses	**106**	128	**241**	328
Net income and comprehensive income for the year	**86**	71	**492**	419
Net income per share (note 17)				
Basic	**0.01**	—	**0.02**	0.01
Diluted	**0.01**	—	**0.02**	0.01

See accompanying notes

AirIQ Inc.

CONSOLIDATED CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)

(in thousands of Canadian dollars)

	Three Months Ended December 31st		Nine Months Ended December 31st	
	2021	**2020**	**2021**	**2020**
	$	**$**	**$**	**$**
Cash flows from operating activities				
Net income for the period	**86**	71	**492**	419
Adjustments to reconcile profit to net cash used in operating activities				
Stock-based compensation (note 10 (a))	**1**	2	**3**	7
Depreciation of property, plant and equipment (note 6)	**117**	105	**325**	304
Depreciation of right-of-use asset (note 13)	**6**	6	**18**	18
Loss on disposal and impairment of fixed assets (note 6)	**1**	(1)	**1**	1
Interest expense	**1**	1	**3**	4
Changes in non-cash balances related to operations				
Trade and other receivables	**176**	151	**263**	(9)
Inventory	**(234)**	(84)	**(261)**	30
Prepaid expenses and deposits	**24**	13	**1**	56
Accounts payable and accrued liabilities	**246**	69	**56**	(278)
Deferred revenue (note 3)	**(227)**	(215)	**206**	(383)
Total cash inflows (outflows) from operating activities	**197**	118	**1,107**	169
Cash flows from investing activities				
Software (note 6)	**(71)**	(68)	**(238)**	(221)
Rental units (note 6)	**(214)**	(82)	**(436)**	(227)
Property, plant and equipment (note 6)	**—**	(1)	**—**	(1)
Total cash inflows (outflows) from investing activities	**(285)**	(151)	**(674)**	(449)
Cash flows from financing actiities				
Lease payments (note 13)	**(7)**	(6)	**(20)**	(19)
Proceeds from government loan (note 8)	**—**	—	**—**	40
Proceeds from exercise of stock options	**—**	—	**23**	—
Repurchase of common shares under NCIB (note 9)	**(34)**	(42)	**(119)**	(42)
Total cash inflows (outflows) from financing activities	**(41)**	(48)	**(116)**	(21)
Net change in cash and cash equivalents	**(129)**	(81)	**317**	(301)
Cash and cash equivalents at beginning of period	**2,275**	1,991	**1,829**	2,211
Cash and cash equivalents at end of period	**2,146**	1,910	**2,146**	1,910
Supplementary disclosure				
Cash	**2,146**	1,510	**2,146**	1,510
Cash equivalents (note 3(d))	—	400	**—**	400

See accompanying notes

AirIQ Inc.

CONSOLIDATED CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY (DEFICIENCY) (UNAUDITED)

(in thousands of Canadian dollars)

	Share capital $	Other paid-in capital $	Contributed surplus $	Deficit $	Total $
Balance December 31, 2019	**91,460**	**4,448**	**2,829**	**(96,693)**	**2,044**
Income for the period	—	—	—	250	250
Stock based compensation	—	—	4	—	4
Balance March 31, 2020	**91,460**	**4,448**	**2,833**	**(96,443)**	**2,298**
Income for the period	—	—	—	419	419
Stock based compensation	—	—	7	—	7
Common shares repurchased under NCIB	(42)	—	—	—	(42)
Balance December 31, 2020	**91,418**	**4,448**	**2,840**	**(96,024)**	**2,682**
Income for the period	—	—	—	30	30
Proceeds from exercise of stock options	87	—	(36)	—	51
Stock based compensation	—	—	1	—	1
Common shares repurchased under NCIB	(44)	—	—	—	(44)
Balance March 31, 2021	**91,461**	**4,448**	**2,805**	**(95,994)**	**2,720**
Income for the period	**—**	**—**	**—**	**492**	**492**
Proceeds from exercise of stock options	**41**	—	**(18)**	—	**23**
Stock based compensation	**—**	**—**	**3**	**—**	**3**
Common shares repurchased under NCIB	**(119)**	**—**	**—**	**—**	**(119)**
Balance December 31, 2021	**91,383**	**4,448**	**2,790**	**(95,502)**	**3,119**

See accompanying notes

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

(in thousands of Canadian dollars except share and per share amounts)

For the three and nine months ended December 31, 2021

1. CORPORATE INFORMATION

AirIQ Inc. ("AirIQ" or the "Company") is a public company that trades on the TSX Venture Exchange ("TSXV"), under the symbol "IQ". The Company was formed under the *Canada Business Corporations Act*. The Company's principal business is to develop and operate a telematics asset management system using specialized software, digitized mapping, wireless communications, the internet and the Global Positioning System ("GPS"). The Company's head office is located at 1815 Ironstone Manor, Unit 9 in Pickering, Ontario.

These consolidated condensed interim financial statements have been authorized for issue by the Board of Directors on February 16, 2022.

On January 30, 2020, the World Health Organization declared the coronavirus outbreak ("COVID-19") a "Public Health Emergency of International Concern" and, on March 11, 2020, declared COVID-19 a pandemic. This resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak remains unknown at this time, as is the effectiveness of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods.

Also see notes 8 and 18.

2. BASIS OF PREPARATION

These consolidated condensed interim financial statements of the Company for the three and nine months ended December 31, 2021, including comparatives, have been prepared in accordance with IAS 34 - Interim Financial Reporting using the accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and its interpretations, and using the same accounting policies and methods as were used for the Company's annual financial statements and notes thereto for the years ended March 31, 2021 and 2020, except for any new accounting pronouncements which have been adopted. Changes to significant accounting policies are described in note 3.

These consolidated condensed interim financial statements do not include all of the information and disclosures required by International Financial Reporting Standards ("IFRS") for annual financial statements. Accordingly, these consolidated condensed interim financial statements should be read in conjunction with the Company's annual financial statements as at and for the years ended March 31, 2021 and 2020 and the accompanying notes thereto.

2. BASIS OF PREPARATION continued

The preparation of consolidated condensed interim financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the consolidated condensed interim financial statements are disclosed in note 4.

These consolidated condensed interim financial statements have been prepared on a historical cost basis. In addition, the consolidated condensed interim financial statements are prepared using the accrual basis of accounting except for cash flow information and should be read in conjunction with the Company's financial statements for the year ended March 31, 2021.

These consolidated condensed interim financial statements are presented in Canadian dollars, which is also the Company's functional currency, and all values are rounded to the nearest thousand (CAD $'000) except per share amounts, unless otherwise indicated.

3. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied to these consolidated condensed interim financial statements are the same as those applied to the Company's audited annual financial statements and notes thereto for the year ended March 31, 2021.

Future Changes in Accounting Policies

IFRS 10 – Consolidated condensed interim financial statements ("IFRS 10") and IAS 28 – Investments in Associates and Joint Ventures ("IAS 28") were amended in September 2014 to address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The effective date of these amendments is yet to be determined; however early adoption is permitted.

IAS 1 – Presentation of Financial Statements ("IAS 1") was amended in January 2020 to provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments clarify that the classification of liabilities as current or noncurrent is based solely on a company's right to defer settlement at the reporting date. The right needs to be unconditional and must have substance. The amendments also clarify that the transfer of a company's own equity instruments is regarded as settlement of a liability, unless it results from the exercise of a conversion option meeting the definition of an equity instrument. The amendments are effective for annual periods beginning on January 1, 2023.

IAS 8 – In February 2021, the IASB issued 'Definition of Accounting Estimates' to help entities distinguish between accounting policies and accounting estimates. The amendments are effective for year ends beginning on or after January 1, 2023.

3. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES continued

IAS 37 – Provisions, Contingent Liabilities, and Contingent Assets ("IAS 37") was amended. The amendments clarify that when assessing if a contract is onerous, the cost of fulfilling the contract includes all costs that relate directly to the contract – i.e., a full-cost approach. Such costs include both the incremental costs of the contract (i.e., costs a company would avoid if it did not have the contract) and an allocation of other direct costs incurred on activities required to fulfill the contract – e.g. contract management and supervision, or depreciation of equipment used in fulfilling the contract. The amendments are effective for annual periods beginning on January 1, 2022.

IFRS 3 – Business Combinations ("IFRS 3") was amended. The amendments introduce new exceptions to the recognition and measurement principles in IFRS 3 to ensure that the update in references to the revised conceptual framework does not change which assets and liabilities qualify for recognition in a business combination. An acquirer should apply the definition of a liability in IAS 37 – rather than the definition in the Conceptual Framework – to determine whether a present obligation exists at the acquisition date as a result of past events. For a levy in the scope of IFRIC 21, the acquirer should apply the criteria in IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. In addition, the amendments clarify that the acquirer should not recognize a contingent asset at the acquisition date. The amendments are effective for annual periods beginning on January 1, 2022.

IAS 16 – Property, Plant and Equipment ("IAS 16") was amended. The amendments introduce new guidance, such that the proceeds from selling items before the related property, plant and equipment is available for its intended use can no longer be deducted from the cost. Instead, such proceeds are to be recognized in profit or loss, together with the costs of producing those items. The amendments are effective for annual periods beginning on January 1, 2022.

IAS 12 – In May 2021, the IASB issued 'Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction' that clarifies how entities account for deferred tax on transactions such as leases and decommissioning obligations. The amendments are effective for year ends beginning on or after January 1, 2023.

IFRS 16 – The IASB has extended the rent concessions amendment issued May 2020 by one year. This amendment provides lessees with an exemption from assessing whether a COVID-19 related rent concession is a lease modification. The practical expedient was originally available only for payments due on or before June 30, 2021, however, since the effects of COVID-19 are ongoing and significant, the IASB decided to extend the time period over which the practical expedient is available for use. The amendment is effective for year ends beginning on or after April 1, 2022.

There are no other IFRS standards or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

(in thousands of Canadian dollars except share and per share amounts)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of consolidated condensed interim financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities at the date of the consolidated condensed interim financial statements and the reported amounts of revenue and expenses during the reporting periods. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. Critical accounting estimates are reviewed quarterly by the Audit Committee of the Board of Directors. Management's judgment is applied to the following areas: income taxes, share-based payment transactions, warranty provisions, asset impairments, useful lives of depreciable assets, net realizable value of inventory, fair value of assets acquired in business combinations, revenue recognition, legal claim and contingency provisions.

5. INVENTORY

Inventory consists of finished goods. For the three and nine months ended December 31, 2021, the amount of inventory recognized as an expense in direct cost of sales was $152 and $705, respectively, (three and nine months ended December 31, 2020 – $95 and $412, respectively). Inventory is valued at cost, as it is the lower of cost or net realizable value. There was a $nil and $nil, respectively, write-down of inventory included in other expenses during the three and nine months ended December 31, 2021 (three and nine months ended December 31, 2020 - $nil and $nil, respectively).

6. SOFTWARE, RENTAL UNITS AND PROPERTY AND EQUIPMENT

Software, rental units and property and equipment consist of the following:

	Software $	Rental units $	Office equipment $	Leasehold improvements $	Total $
Cost					
Balance at March 31, 2021	1,320	617	56	24	2,017
Additions for the period	238	436	—	—	674
Disposals during the period	—	(114)	—	—	(114)
Balance at December 31, 2021	**1,558**	**939**	**56**	**24**	**2,577**
Depreciation and impairment losses					
Balance at March 31, 2021	637	254	39	9	939
Depreciation for the period	201	115	5	4	325
Disposals during the period	—	(113)	—	—	(113)
Balance at December 31, 2021	**838**	**256**	**44**	**13**	**1,151**
Carrying amounts					
At March 31, 2021	683	363	17	15	1,078
At December 31, 2021	**720**	**683**	**12**	**11**	**1,426**

(in thousands of Canadian dollars except share and per share amounts)

6. SOFTWARE, RENTAL UNITS AND PROPERTY AND EQUIPMENT continued

Depreciation expense for software, rental units and property and equipment for the three and nine months ended December 31, 2021 is $117 and $325, respectively (three and nine months ended December 31, 2020 - $105 and $304, respectively) of which $45 and $115, respectively (three and nine months ended December 31, 2020 - $31 and $86, respectively) is included in direct cost of sales relating to rental units.

During the three and nine months ended December 31, 2021, the Company disposed of $59 and $114, respectively, of fixed assets (three and nine months ended December 31, 2020 - $49 and $103, respectively), and disposed of $58 and $113, respectively, of depreciation (three and nine months ended December 31, 2020 - $50 and $102, respectively).

The Company continues to assess the carrying value of its software, rental units and property, plant and equipment and determines whether they are impaired. The impairment charge for the three and nine months ended December 31, 2021 is $nil and $nil, respectively (three and nine months ended December 31, 2020 – $nil and $nil, respectively).

7. DEFERRED REVENUE

	Deferred revenues $
Balance, March 31, 2021	**461**
At March 31, 2021	
Current	431
Non-current	30
Changes during the period:	
Deferred during the period	1,065
Released to the consolidated statement of income	(859)
Balance, December 31, 2021	**667**
At December 31, 2021	
Current	**574**
Non-current	**93**

8. FINANCING AND GOVERNMENT LOANS

a) Credit Facility

The Company has a $750 revolving demand facility with Royal Bank of Canada ("RBC"). The credit facility is a standard operating line with certain covenants, including a first priority general security over the Company's assets. As at December 31, 2021, $nil (December 31, 2020 - $nil) has been drawn from this demand credit facility. The Company paid RBC a total of approximately $nil and $nil, respectively, related to interest on the credit facility during the three and nine months ended December 31, 2021 (three and nine months ended December 31, 2020 - $nil and $nil, respectively), which is included in interest expense in the accompanying consolidated condensed interim statement of income.

b) Government Loans

Canada Emergency Business Account

On September 2, 2020, the Company obtained $40 in revolving credit from the Government of Canada under the *Canada Emergency Business Account* ("CEBA") COVID-19 Economic Response Plan. The funding was granted in the form of an interest-free revolving credit line of which up to $40 may be drawn. The balance on the revolving credit line will automatically convert to a non-revolving term loan on January 20, 2022, as extended by RBC pursuant to the revised Government of Canada CEBA program. Effective January 1, 2024, any outstanding balance on the term loan shall bear interest at a rate of 5% per annum.

The term loan matures on December 31, 2025. If 75% of the outstanding balance of the non-revolving term loan is repaid on or before December 31, 2023, the remaining 25% of the balance shall be forgiven. The Company has drawn the full $40 available under the CEBA program and will continue to monitor its eligibility under the CEBA program as well as any other programs offering assistance during COVID-19. *Also see note 19, Subsequent Events.*

9. SHARE CAPITAL AND RESERVES

a) Common shares

The Company is authorized to issue an unlimited number of common shares without par value. The holders of common shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company. All shares are ranked equally with regards to the Company's residual assets.

(in thousands of Canadian dollars except share and per share amounts)

9. SHARE CAPITAL AND RESERVES continued

a) Common shares continued

The following is a summary of changes in common share capital from December 31, 2020 to December 31, 2021:

	Number of Shares	Price Per Share	Amount
	#	$	$
Balance at December 31, 2020	**29,705,947**		**91,418**
Shares issued pursuant to exercise of stock options	506,127	0.10	51
Reallocation of value upon exercise	—	—	36
Repurchased for cancellation - NCIB	(127,000)	0.33	(42)
Broker fee for repurchased shares	—	—	(2)
Balance at March 31, 2021	**30,085,074**		**91,461**
Shares issued pursuant to exercise of stock options	150,000	0.15	23
Reallocation of value upon exercise	—	—	18
Repurchased for cancellation - NCIB	(408,000)	0.28	(116)
Broker fee for repurchased shares	—	—	(3)
Balance at December 31, 2021	**29,827,074**		**91,383**

<u>Exercise of Stock Options</u>
On May 11, 2021, 150,000 common shares in the capital of the Company were issued from treasury pursuant to the exercise of stock options under the Company's stock option plan. *Also see note 10.*

<u>Normal Course Issuer Bid</u>
The Company filed a Notice of Intention to Make a Normal Course Issuer Bid (the "Bid") with the TSX Venture Exchange ("TSXV") commencing April 13, 2021 and ending on April 12, 2022. Pursuant to the Bid, the Company proposed to purchase through the facilities of the TSXV up to 1,504,253 common shares, representing approximately 5% of the then issued and outstanding common shares of the Company. The Company's broker for the Bid is Hampton Securities Limited.

During the three and nine months ended December 31, 2021, the Company purchased 114,000 and 408,000, respectively, common shares under the Bid for a total of $34 and $116 respectively, or $0.30 and $0.28, respectively, per common share (three and nine months ended December 31, 2020 – 123,000 common shares were purchased for a total of $41, or $0.34 per share), plus an additional $nil and $3, respectively, in broker fees were paid for the repurchase of the shares (three and nine months ended December 31, 2020 - $1). *Also see note 19 - Subsequent Events*

(in thousands of Canadian dollars except share and per share amounts)

9. SHARE CAPITAL AND RESERVES continued

b) Other paid in capital

As at December 31, 2021, the Company had no warrants outstanding. No warrants were granted during the three and nine months ended December 31, 2021 and December 31, 2020.

c) Contributed Surplus

The following is a summary of changes in contributed surplus from March 31, 2021 to December 31, 2021:

	$
Balance at March 31, 2020	**2,833**
Stock-based compensation charge	8
Reallocation of value upon exercise	(36)
Balance at March 31, 2021	**2,805**
Stock-based compensation charge	3
Reallocation of value upon exercise	(18)
Balance at December 31, 2021	**2,790**

d) Nature and Purpose of Equity and Reserves

The reserves recorded in equity on the Company's consolidated statements of financial position include:

'Other paid-in capital', 'Contributed surplus' and 'Deficit'

'Other paid-in capital' is used to recognize the value of share warrants prior to exercise

'Contributed surplus' is used to recognize the value of share option grants prior to exercise

'Deficit' is used to record the Company's change in deficit from earnings from period to period

10. SHARE-BASED PAYMENTS

a) Option Plan Details

The Company has an incentive stock option plan (the “Plan”) under which non-transferable options to purchase common shares of the Company may be granted to directors, officers, employees or consultants of the Company. Under the Plan, the Company is authorized to issue options for common shares in aggregate up to 10% of the number of common shares of the Company outstanding from time to time. Any increase in the issued and outstanding common shares will result in an increase in the available number of common shares issuable under the Plan, and any exercise of options will make new grants available under the Plan, effectively resulting in a re-loading of the number of options available to grant under the Plan. The terms of the Plan provide that the directors have the right to grant options to acquire common shares of the Company at not less than the average closing price of the shares on the trading exchange for the 10 trading days immediately preceding the date of grant of the options. Options under the Plan are typically granted by the Board of Directors for a term of 10 years, consistent with the terms of the Plan. No amounts are paid or payable by the recipient on receipt of the option, and the options granted are not dependent on any performance-based criteria.

The vesting period for options granted to employees of the Company is typically four years with 25% vesting after the first year from the date of grant, and 6.25% vesting in each quarter thereafter. Board and Committee member options typically vest over a one-year period; 25% each quarter from the date of grant. Under the Plan, in the absence of any determination by the Board of Directors, the earliest exercise date for options granted under the Plan is one year from the date of grant, at which time 25% of the options granted shall vest, following which 2.0833% of options granted vest each month thereafter. Pursuant to the terms of the current Plan, unless otherwise determined by AirIQ, options granted to eligible participants terminate and are no longer exercisable upon the earlier of (a) 12 months after the death, disability or retirement of an option holder, or (b) the end of the option term, or (c) 30 days after termination or ceasing to be an eligible participant without cause, or (d) immediately in the event such participant is terminated for cause.

As at December 31, 2021, the Company has reserved 2,982,074 (December 31, 2020 – 2,970,594) common shares for issuance under the Plan, representing 10% of the issued and outstanding common shares of the Company as of such date.

No options were granted during the three and nine months ended December 31, 2021 and December 31, 2020.

The Company recorded share-based compensation expense of approximately $1 and $3, respectively, for the three and nine months ended December 31, 2021 (three and nine months ended December 31, 2020 - $2 and $7, respectively), of which $nil and $nil, respectively related to options granted during the three and nine months ended December 31, 2021 (three and nine months ended December 31, 2020 - $nil and $nil, respectively).

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

(in thousands of Canadian dollars except share and per share amounts)

For the three and nine months ended December 31, 2021

10. SHARE-BASED PAYMENTS continued

a) Option Plan Details continued

Stock option activity within the Plan is as follows:

	Three months Ended 31-Dec-2021		Three months ended 31-Dec-2020	
		Weighted average		Weighted average
	Number of options	Exercise price	Number of options	Exercise price
	#	$	#	$
Outstanding options, beginning of period	**1,540,000**	**0.10**	2,196,127	0.10
Options exercised during the period	—	—	—	—
Outstanding options, end of period	**1,540,000**	**0.10**	2,196,127	0.10
Exercisable, end of period	**1,493,125**	**0.10**	2,099,252	0.10

A total of 150,000 common shares of AirIQ were issued from treasury pursuant to the exercise of stock options under the Company's Plan during the nine months ended December 31, 2021 for an aggregate consideration of $23 (nine months ended December 31, 2020 – nil options exercised).

Outstanding and exercisable options under the Plan as at December 31, 2021 are summarized as follows:

	Outstanding			Exercisable	
Exercise price range	Number outstanding	Weighted average exercise price	Weighted remaining contractual life	Number outstanding and exercisable	Weighted average exercise price
$	#	$	(years)	#	$
0.05 — 0.08	**750,000**	**0.06**	**2.91**	**750,000**	**0.06**
0.10 — 0.18	**790,000**	**0.14**	**5.03**	**743,125**	**0.13**
	1,540,000	**0.10**	**3.99**	**1,493,125**	**0.10**

b) Fair Value of Options Issued During the Period

No options were granted by the Company during the three and nine months ended December 31, 2021 (three and nine months ended December 31, 2020 – nil).

c) Options Issued to Employees

The fair value at grant date is determined using the Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The expected price volatility is based on the historic volatility (based on the expected life of the options).

(in thousands of Canadian dollars except share and per share amounts)

11. NATURE OF EXPENSES

	Three months ended December 31st		Nine months ended December 31st	
	2021	**2020**	**2021**	**2020**
	$	**$**	**$**	**$**
Salaries and benefits	**281**	263	**761**	652
Consulting	**53**	49	**146**	136
Computer operating	**22**	22	**69**	62
Commercial, officer and director insurance	**15**	14	**43**	42
Rent and maintenance	**13**	12	**30**	37
Legal fees, audit and tax	**10**	12	**35**	33
Public reporting costs	**7**	6	**35**	34
Other	**67**	58	**156**	124
	468	436	**1,275**	1,120

The Company recognized CEWS and CERS government grants in the three and nine months ended December 31, 2021. Details are provided in *note 18* to these consolidated condensed interim financial statements.

12. RELATED PARTY TRANSACTIONS

Related parties include the Board of Directors and officers, and enterprises that are controlled by these individuals, as well as certain persons performing similar functions.

The following is a summary of the Company's related party transactions during the three and nine months ended December 31, 2021 and December 31, 2020:

a) Key Management Compensation

Key management personnel compensation is comprised of:

	Three months ended December 31, 2021	Three months ended December 31, 2020
	$	**$**
Salary, consulting fees and benefits	**70**	67
Share-based payments	**—**	—
Directors fees	**8**	8
	78	**75**

(in thousands of Canadian dollars except share and per share amounts)

12. RELATED PARTY TRANSACTIONS continued

b) Related Party Transactions

During the three and nine months ended December 31, 2021, $8 and $26, respectively, was expensed for director fees and stock-based compensation (three and nine months ended December 31, 2020 - $8 and $26, respectively).

AirIQ owed a company controlled by a former director $36 at December 31, 2021 (December 31, 2020 - $36) which is included in accounts payable and accrued liabilities. AirIQ is also owed $36 from the related company of the former director and/or its controlling shareholder at December 31, 2021 (December 31, 2020 - $36) which is included in trade and other receivables. These amounts are unsecured, non-interest bearing and due on demand. A*lso see note 13.*

13. COMMITMENTS AND CONTINGENCIES

a) The Company entered into a new 60-month office contract on April 1, 2019. At inception of this contract, the Company assessed that the contract contained a lease under the new IFRS 16 standards. At commencement, the Company recognized the right-of-use asset and lease liability based on the present value of the lease payments discounted by AirIQ's incremental borrowing rate. A depreciation charge for right-of-use assets is recorded in depreciation and an interest expense on lease obligations is recorded in interest expense in the income statement.

	Right-of-use Asset	Lease Obligations
	$	$
Balance at March 31, 2021	**70**	**77**
Additions	—	—
Amortization	(18)	—
Payments	—	(20)
Interest	—	3
Balance at December 31, 2021	**52**	**60**
Current	—	25
Non-current	—	35

13. COMMITMENTS AND CONTINGENCIES continued

b) The Company is party to certain management contracts. The Company has minimum contractual commitments with these contracts of $141, all due within one year. Included is a contractual commitment to pay a consultant $100 on termination of the consulting contract by the Company without cause or in the event of a "change of control" as defined in the consulting agreement; provided however in no event shall the Company be required to pay more than $100 if both events shall occur simultaneously. As a triggering event has not occurred, no provision has been made with respect to this commitment. In addition, included in the management contracts is a contractual commitment to pay an employee approximately $43 on termination of the employee by the Company without cause in the event of a "change of control" (as defined in the employment agreement) occurring within one (1) year of such "change of control". As a triggering event has not occurred, no provision has been made with respect to this commitment.

c) The Company has a profit-sharing plan to incentivize employees, officers and designated consultants of the Company to meet specific goals and objectives. The current profit-sharing plan approved by the Board includes a profit-sharing pool subject to meeting certain criteria related to recurring revenue growth and net income profit margin calculated annually commencing April 1, 2021. A prorated portion of the bonus pool has been accrued. Payments under the profit-sharing plan shall be determined annually by the Board of Directors and the Chief Executive Officer following release of the Company's March 31st fiscal year end results.

d) The Company, in the course of its normal operations, is subject to claims, lawsuits, patent infringement claims and contingencies. Accruals are made in instances where it is probable that liabilities may be incurred and where such liabilities can be reasonably estimated. Although it is possible that liabilities may be incurred in instances for which no accruals have been made, the Company has no reason to believe that the ultimate outcome of these matters would have a significant impact on its consolidated financial position.

14. FINANCIAL INSTRUMENTS

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure effective implementation of the objectives and policies to the Company's finance function. The Board of Directors receives quarterly reports from the Company's Chief Financial Officer through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. There have been no changes in the risks, objectives, policies and procedures during the three and nine months ended December 31, 2021 and the fiscal years ended March 31, 2021 and 2020.

The Company's financial instruments are exposed to certain financial risks, including credit risk, liquidity risk, currency risk, and interest rate risk.

(in thousands of Canadian dollars except share and per share amounts)

14. FINANCIAL INSTRUMENTS continued

The Company's exposure to these risks and its methods of managing the risks remain consistent.

The Company is exposed to the following risks related to financial assets and liabilities:

a) Currency risk

Currency risk is the risk that variations in exchange rates between U.S. and Canadian currencies will affect the Company's operating and financial results. The Company's consolidated activities that result in exposure to fluctuations in foreign currency exchange rates consist of the sale of products to customers in foreign currencies and the purchases of services and raw materials from suppliers invoiced in foreign currencies.

The carrying amount of the Company's U.S. currency denominated monetary assets and liabilities is as follows:

	December 31, 2021	March 31, 2021
	$	$
Cash	**1,944**	615
Trade and other receivables	**96**	206
Accounts payable and accrued liabilities	**(315)**	(317)
	1,725	504

For the three and nine months ended December 31, 2021, all else being equal, a strengthening of 1.0% of the US dollar against the Canadian dollar would have a positive impact of approximately $14 on net income and comprehensive income. A weakening of 1.0% of the US dollar against the Canadian dollar would have the opposite impact on net income.

b) Credit risk

Credit risk refers to the potential that a customer or counterparty to a financial instrument will fail to discharge its contractual obligations, and arises principally from the Company's receivables from customers and its cash and cash equivalents. The maximum credit risk exposure for these balances is their carrying values.

The Company attempts to mitigate its credit risk over cash and cash equivalents by dealing only with large financial institutions with good credit ratings. All of the financial institutions that the Company deals with meet these qualifications.

The Company is exposed to credit risk from customers. The Company performs ongoing credit evaluations of new and existing customers' financial condition and reviews the collectability of its trade accounts receivable in order to mitigate any possible credit losses.

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

(in thousands of Canadian dollars except share and per share amounts)

For the three and nine months ended December 31, 2021

14. FINANCIAL INSTRUMENTS continued

(b) Credit risk continued

Allowance for doubtful accounts and past due receivables are reviewed by management regularly. The allowance for doubtful accounts balance is also updated regularly based on an impairment calculation under IFRS 9 based on the expected credit loss (ECL) model. Accounts receivable are written off once determined not to be collectible.

The following table sets forth the continuity of allowance for doubtful accounts for the periods indicated:

	$
Closing balance, March 31, 2021	**38**
Provisions made during the period	23
Provisions used during the period	(28)
Closing balance, December 31, 2021	**33**

The following table sets forth details of the accounts receivable as at December 31, 2021 and March 31, 2021:

	December 31, 2021	March 31, 2021
	$	$
Trade accounts receivable, before allowances	**231**	475
Less allowance for doubtful accounts	**(33)**	(38)
Other receivables	**38**	62
Trade and other receivables	**236**	499

Pursuant to their respective terms, accounts receivable are aged as follows as at December 31, 2021 and March 31, 2021:

	December 31, 2021	March 31, 2021
	$	$
Current	**130**	322
31-60 days	**72**	52
61-90 days	**1**	47
Over 91 days	**33**	78
Total accounts receivables	**236**	499

(in thousands of Canadian dollars except share and per share amounts)

14. FINANCIAL INSTRUMENTS continued

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash and cash equivalents. The ability to do this relies on the Company collecting its accounts receivable in a timely manner and by maintaining sufficient cash in excess of anticipated needs. At December 31, 2021, the Company's accounts payable and accrued liabilities were $420 (December 31, 2020 - $519).

The following table details the Company's contractual maturities for its financial liabilities, including interest payments and lease commitments as at Decembe 31, 2021 and 2020 respectively:

December 31, 2021: Payments due by year

	Total	2022	2023	2024	2025	2026
	$	$	$	$	$	$
Accounts payable and accrued liabilities	**666**	**666**	—	—	—	—
Operating leases	**65**	**7**	**29**	**29**	—	—
	731	**673**	**29**	**29**	—	—

December 31, 2020: Payments due by year

	Total	2021	2022	2023	2024	2025
	$	$	$	$	$	$
Accounts payable and accrued liabilities	**519**	519	—	—	—	—
Operating leases	**91**	7	26	29	29	—
	610	**526**	**26**	**29**	**29**	—

d) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Management feels that the Company is not currently subject to significant interest rate risk as the Company currently does not have any interest-bearing debt with floating rates.

(in thousands of Canadian dollars except share and per share amounts)

15. CAPITAL MANAGEMENT

The capital structure of the Company consists of equity consisting of issued share capital, other paid-in capital, contributed surplus and deficit and has total capital in the amount of $3,119 as at December 31, 2021 (December 31, 2020 – $2,682). The Company's objectives when managing capital is to ensure that the Company will continue as a going concern, so that it can provide products and services to its customers and returns to its shareholders.

The Company manages its capital to ensure that financial flexibility is present to increase shareholder value through organic growth, selective acquisitions and dispositions as well as allow the Company to respond to changes in economic and /or marketplace conditions. In order to maintain or adjust its capital structure, the Company may, upon approval from its Board of Directors, balance its overall capital structure through the issuance of new shares, the purchase of shares for cancellation pursuant to a normal course issuer bid, raising debt or refinancing existing debt with different characteristics or by undertaking other activities as deemed appropriate under the specific circumstances.

The Company's capital management objectives, policies and processes have remained unchanged during the three and nine months ended December 31, 2021.

The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than of the TSXV which requires adequate working capital or financial resources of the greater of (i) $50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months.

16. SEGMENTED INFORMATION

The Company has one reportable segment. The Company’s software, rental units and property, plant and equipment are located in Canada and have a net book value of $1,426 as at December 31, 2021 (December 31, 2020 - $1,058).

Revenues attributed to regions based on location of customer were as follows:

	December 31, 2021	**December 31, 2020**
	$	**$**
Canada	**1,030**	1,285
United States	**2,249**	1,474
	3,279	2,759

For the nine months ended December 31, 2021, one customer represented more than 10% of total revenue (three and nine months ended December 31, 2020: one customer). This customer accounted for 43%, of total revenue for the nine months ended December 31, 2021, (28% of total revenue for the nine months ended December 31, 2020).

(in thousands of Canadian dollars except share and per share amounts)

17. NET INCOME PER SHARE

Weighted Average Number of Common Shares:

	Three Months Ended December 31st		Nine Months Ended December 31st	
	2021	**2020**	**2021**	**2020**
Issued common shares at beginning of the period	**29,941,074**	29,828,947	**30,085,074**	29,828,947
Weighted average number of common shares (basic)	**29,863,313**	29,787,958	**29,968,259**	29,815,234
Weighted average number of common shares (diluted)	**30,884,236**	31,385,013	**30,971,930**	31,231,168

For the three and nine months ended December 31, 2021, diluted net income per share did not include the effect of nil stock options (three and nine months ended December 31, 2020 – nil) as they are anti-dilutive.

18. OTHER INFORMATION

Government Assistance

In April 2020, the Government of Canada enacted the *Canada Emergency Wage Subsidy* ("CEWS") to assist businesses during COVID-19 by allowing qualifying businesses to recover up to 75% of certain wages paid to employees. In addition, in September, 2020 the Government of Canada also enacted the *Canada Emergency Rent Subsidy* ("CERS") to provide commercial rent or property expenses support for eligible businesses affected by COVID-19. The total amount of subsidies received by the Company from the Canadian government from these two programs for the three and nine months ended December 31, 2021 was $nil and $79, respectively (three and nine months ended December 31, 2020 - $nil and $162, respectively), and such amounts were applied to the consolidated statements of income as a reduction against the following expenses:

	Three months ended December 31st		Nine months ended December 31st	
	2021	**2020**	**2021**	**2020**
	$	**$**	**$**	**$**
Sales and marketing	**—**	—	**39**	84
Research and development	**—**	—	**16**	30
General and administration	**—**	—	**24**	48
	—	—	**79**	162

In addition, as at December 31, 2021, the Company has an amount receivable related to these programs of $nil, which is included in trade and other receivables (December 30, 2020 - $nil).

18. OTHER INFORMATION continued

Government Assistance continued

The Company will continue to monitor its eligibility under the CEWS and CERS programs as well as any other programs offering assistance during COVID-19. Both assistance programs are based on future revenues and as a result the Company is unable to estimate any future amounts of subsidies it will qualify for under the program. *Refer to note 11.*

19. SUBSEQUENT EVENTS

Government Loans - Canada Emergency Business Account

Subsequent to the quarter end, on January 20, 2022 the Company's interest-free revolving credit line granted pursuant to CEBA automatically converted to a non-revolving term loan. On January 21, 2022, the Company repaid $30 of the $40 outstanding principal amount on the loan. Pursuant to the terms of the loan, the remaining 25%, or $10, will be forgiven. *Also see note 8(b).*

Normal Course Issuer Bid

Subsequent to the quarter end in January, 2022, the Company repurchased for cancellation an additional 99,000 common shares under the Bid for a total purchase price of $28, or $0.287 per common share, and broker fees in the amount of $0.25 were paid for the repurchase of the shares. *Also see note 9(a), Normal Course Issuer Bid*

As of February 16, 2022, the Company had a total of 29,728,074 common shares issued and outstanding.